

Rates revenue a serious handbrake on the redistribution of urban land

THE ANC has been criticised on many fronts for failing to successfully implement wide-ranging land reform.

However, there were other unanticipated constraints to land reform that the new government faced in 1994.

One of these “unanticipated” challenges was the dependency of local government on collecting property rates and taxes.

The rates collection model effectively incentivises the state to maintain spatial apartheid because of the opportunity to charge higher rates on higher value properties.

Historically, higher value properties are located in affluent and formerly white middle-class suburbs.

To its credit, the ANC foresaw that depending solely on rates would make rural and smaller municipalities poorer.

Thus, the new democratic government created a fiscal sharing model that would guarantee municipalities a certain level of funding from national government.

This also included creating ring-fenced budgets for the large-scale delivery projects, such as housing for example.

However, the fact is that urban municipalities, into which many citizens are flowing, derive a portion of their income from their own ratepayers in order to fulfil certain local government functions.

This means there is little incentive



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for municipalities to tackle spatial apartheid by redistributing land in ways that can build up social cohesion.

As such, there are frequently conflicts when there is even a slight hint that land near affluent areas could be used for mixed-income or low-cost RDP-style housing.

What we often hear is a “not-in-my-backyard” argument from ratepayers who vehemently object to any potential use of adjacent land for “poorer” people in case it will “bring down property values”.

However, more often it is municipalities themselves who will avail state land for high-end, exclusive property developments so that they can charge higher rates to those residents.

In effect, municipalities are selling off land to the highest bidder so that they can raise their own revenue base.

The result of course, is that urban land redistribution truly only happens at the edges of the cities where RDP settlements are built because putting them there does not disturb the existing revenue-property model.

One must feel somewhat sympathetic towards the hamstrung municipalities that have to balance all these social and economic interests in order to maintain viable rates revenues from their more affluent members.

Unfortunately though, while this model guarantees rates, it still fails to build social cohesion and the kind of integrated society we aspire to.

In theory, there should be no problem with a mixed-income model because that is how it is in the townships.

The trouble is the bourgeoisie need for exclusivity – to only see people of one’s class in one’s neighbourhood.

An opportunity is being missed here – the moment you create mixed-income communities is the moment society begins to reckon with its

realities and plan accordingly.

For example, in conditions where rates revenues are insufficient, perhaps South Africa should be re-designing the kinds of local service delivery systems that we have.

Waste collection for example, should form part of much wider and more systematic recycling and community-level expanded public works programmes.

The challenge is not to say “we cannot redistribute urban land because we need revenue from the rich”. Instead, we should be saying “we have to redistribute urban land, so what opportunities for redesigning our urban culture does this present?”

In any case, the more we integrate affluent neighbourhoods, the more property prices will fall because the snobbishly rich will sell up.

Integration effectively recalibrates the property market because “the rich can no longer only sell to the rich”.

We saw this process in the 1990s when black people moved into formerly white suburbs.

Racists sold up, prices dropped, and partial desegregation happened.

Understandably, no state will be eager to do away with a trusted revenue model.

The reality is, however, that the pressure of the land issue must move policymakers to be proactive in re-imagining how land is going to be redistributed in urban areas.